

Message Text

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TAGS: EGEN, OECD, OVIP (WILLIAM J. CASEY)

SUBJECT: DRAFT STATEMENT FOR HL GROUP ON OIL

FOR DI BONA AND ODEEN, WHITE HOUSE; SIMON, TREASURY

THIS IS MY DRAFT STATEMENT FOR HIGH LEVEL GROUP ON OIL. IF YOU
CAN SEND COMMENTS MONDAY MORNING (YOUR TIME), I'LL WORK
THEM TOGETHER WITH DRAFT BEING BROUGHT OVER.

BEGIN TEXT:

DRAFT PROPOSED STATEMENT BY
THE HONORABLE WILLIAM J. CASEY
UNDER SECRETARY OF STATE FOR ECONOMIC AFFAIRS
OECD HIGH LEVEL OIL GROUP
JUNE 12, 1973

THE INTERNATIONAL OIL SITUATION, WHICH WAS A GROWING MATTER
OF CONCERN WHEN THIS COMMITTEE MET LAST OCTOBER, HAS CHANGED
SIGNIFICANTLY OVER THE PAST YEAR. THESE CHANGES HAVE, FROM ONE
PERSPECTIVE, HEIGHTENED THE CONCERN CONSUMING COUNTRIES HAVE
ABOUT THE SECURITY OF THEIR OIL SUPPLY. FROM OTHER PERSPECTIVES,
HOWEVER, EVENTS HAVE PUT INTO SHARPER FOCUS THE NEED FOR EXPANDED
AND INTENSIFIED INTERNATIONAL COOPERATION TO DEAL NOT ONLY WITH
SHORT RUN CONCERNS BUT WITH THE LONGER RUN ENERGY REQUIREMENTS
OF THE WORLD.

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AMONG THE MORE IMPORTANT EVENTS OF THE PAST YEAR OF
RELEVANCE TO THE WORK OF THE GROUP HAVE BEEN:
-- THE CONTINUING RAPID GROWTH OF CONSUMPTION ACCOMPANIED
BY A TIGHTENING WORLD PETROLEUM SUPPLY SITUATION;

-- AN INCREASING FOCUS ON THE IMPORTANCE OF THE PERSIAN GULF AREA;

-- MAJOR CHANGES IN THE CONCESSION ARRANGEMENTS IN PRINCIPAL PRODUCING COUNTRIES WITH IMPORTANT IMPLICATIONS FOR INVESTMENT AND PRODUCTION POLICIES IN THE FUTURE, INCLUDING;

-- THE 25 PERCENT PARTICIPATION IN CRUDE OIL OWNERSHIP AND MANAGEMENT BY SAUDI ARABIA AND OTHER PERSIAN GULF OIL PRODUCING COUNTRIES, WITH PROVISION FOR 51 PERCENT CONTROL BY 1982;

-- THE IRANIAN/ CONSORTIUM AGREEMENT TO CHANGE THE STATUS OF THE OIL COMPANIES TO LONG- TERM PURCHASERS WITH LESS DIRECT RESPONSIBILITY AND MANAGEMENT CONTROL OF THE OIL PRODUCTION PROCESS;

-- THE OTHER, AS YET, UNCONCLUDED PARTICIPATION NEGOTIATION IN NIGERIA, AND ESPECIALLY LIBYA, WHERE ESCALATED DEMANDS AND THREATS OF UNILATERAL ACTIONS GIVE RISE TO FRESH CONCERNS OF INSTABILITY IN MIDDLE EASTERN PRODUCING AREAS;

-- THE FURTHER REVISION OF PRICE SCHEDULES AS A RESULT OF CHANGES IN CURRENCY PARITIES;

-- THE SUBSTANTIAL INCREASE IN PRICES PAID FOR OIL BY BUYERS, MANY OF THEM NEW TO THE MARKET, TO WHOM AVAILABILITY OF CRUDE IS MORE IMPORTANT THAN ITS PRICE.

THESE EVENTS TAKEN AS A WHOLE HAVE CAUSED THE MAJOR CONSUMING COUNTRIES, MOST OF WHOM ARE REPRESENTED IN THIS GROUP, TO REVIEW THEIR POLICIES IN AN EFFORT TO FIND ANSWERS TO THE GROWING ENERGY PROBLEM. IN THE CASE OF MY COUNTRY, THE RESULTS OF OUR REVIEW AND STUDY WERE CONTAINED IN PRESIDENT NIXON'S ENERGY MESSAGE OF APRIL 18. THIS MESSAGE CONCENTRATED ON ASSESSMENT OF OUR DOMESTIC REQUIREMENTS AND RESOURCES AND PROPOSED A SERIES OF DOMESTIC MEASURES TO MEET OUR NEEDS FOR CLEAN AND RELIABLE ENERGY SOURCES IN THE DECADES AHEAD. THIS CONCENTRATION ON DOMESTIC POLICIES WAS BASED ON THE REALIZATION THAT OUR PRIMARY RESPONSE TO THE ENERGY CHALLENGE MUST LIE IN THE PURSUIT OF NATIONAL POLICIES AND MEASURES TO DEVELOPE MORE FULLY AND MORE RAPIDLY EXISTING ENERGY RESOURCES AND NEW ENERGY RESOURCES WHILE UTILIZING ENERGY RESOURCES IN THE MOST FRUGAL MANNER. AT THE SAME TIME, THE PRESIDENT DIRECTED A COMPREHENSIVE

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EFFORT TO DEVELOP CO- OPERATION WITH OTHER NATIONS IN SHARNG THE IMPACT OF ENERGY SHORTAGES IN THE SHORT RUN AND IN WORKING TO DEVELOP NEW SOURCES OF ENERGY.

TODAY, I WOULD LIKE TO BEGIN A DIALOGUE WITH THE OTHER MEMBERS OF THIS ORGANIZATION ON HOW WE CAN EFFECTIVELY COOPERATE TO MANAGE THE WELL- PUBLICIZED ENERGY CRISIS.

THE SECRETARIAT'S PAPER ON " POSSIBLE AREAS FOR COOPERATION BETWEEN MEMBER COUNTRIES ON OIL QUESTIONS" IS A USEFUL BACKGROUND FOR THIS DISCUSSION. I PROPOSE TO COMMENT ON EACH OF THE CENTRAL ISSUES RAISED IN THIS PAPER IN THE HOPE THAT, AS OUR DIALOGUE PROCEEDS, WE CAN TOGETHER EVOLVE THE BEST WAY TO DEVELOP EFFECTIVE APPROACHES TO THE PROBLEM.

AS I INDICATED IN MY REMARKS AT LAST WEEK' S MINISTERIAL

MEETING, MY GOVERNMENT IS PREPARED TO CONTRIBUTE TO THE DEVELOPMENT OF AN EFFECTIVE OECD- WIDE MECHANISM FOR SHARING THE LOSS OF OIL IN AN EMERGENCY CURTAILMENT OF SUPPLY. THE SUBJECT OF OIL SHARING IN TIMES OF CRITICAL SHORTAGE, ALONG WITH THE COLLATERAL QUESTIONS OF STORAGE AND RATIONING, HAVE BEEN AND CONTINUE TO BE UNDER INTENSIVE STUDY IN MY GOVERNMENT.

MOREOVER, SINCE THE LAST MEETING OF THE HIGH LEVEL GROUP, THE U. S., CANADA, JAPAN AND AUSTRALIA, IN RESPONSE TO THE REQUEST OF THE EUROPEAN MEMBERS, HAVE CONSULTED CONCERNING THE CONDITIONS UNDER WHICH THEY MIGHT BE WILLING TO CONSIDER PARTICIPATING IN AN OECD- WIDE OIL SHARING ARRANGEMENT. NO FIRM UNDERSTANDING HAS BEEN REACHED, BUT THE FOUR GOVERNMENTS ARE WILLING TO ENTER INTO DISCUSSIONS, WITHOUT COMMITMENT, WITH OTHER OECD COUNTRIES ON THIS QUESTION.

THE ISSUES INVOLVED IN THE MATTER OF SUPPLY SHARING ARE COMPLEX AND DIFFICULT. MEMBER COUNTRIES WILL WISH TO BE ASSURED THAT THE SCHEME WILL WORK WHEN IT IS NEEDED. THIS WOULD SEEM TO REQUIRE THAT THE SCHEME BE COMPULSORY AND THAT IT WILL OPERATE WHEN SUPPLIES ARE CURTAILED TO ONE OR MORE PARTICIPANTS IN THE SCHEME. MOREOVER, THE ESSENCE OF A SHARING ARRANGEMENT IS THAT IT BE EQUITABLE. HOW TO DETERMINE WHAT IS EQUITABLE, HOWEVER, IS ANOTHER MATTER. AMONG THE CRITERIA WHICH WILL NEED TO BE CONSIDERED IN THIS CONNECTION IS THE MEASURES COUNTRIES ARE TAKING TO HELP THEMSELVES THROUGH STOCKPILING OR PRODUCTION AND THE BURDENS THAT THESE MEASURES INVOLVE. ANOTHER ASPECT OF THIS PROBLEM IS THE EXTENT TO WHICH RATIONING OR DEMAND CURTAILMENT ARE A

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PART OF THE SCHEME. IT WILL TAKE CLOSE STUDY TO DETERMINE HOW STOCKPILING AND RATIONING STEPS CAN BEST BE REFLECTED IN THE COMMITMENT TO ABSORB THE BURDEN OF CURTAILED SUPPLIES SO AS TO PROVIDE INCENTIVE OR JUSTIFY ANY MANDATE TO STOCKPILE OR RATION.

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IN ORDER TO PROGRESS TOWARD A HOPED- FOR ACCEPTABLE CONSENSUS, I PROPOSE THE FORMATION OF AN OECD OIL COMMITTEE WORKING GROUP TO CLARIFY AND NARROW DOWN THE ISSUES AND TO DEVELOP AND EVALUATE THE VARIOUS OPTIONS AVAILABLE TO US IN FORMULATING AND IMPLEMENTING A SHARING ARRANGEMENT. THIS GROUP SHOULD BE INSTRUCTED TO COMPLETE ITS WORK AND REPORT BACK TO THE MEMBER GOVERNMENTS PRIOR TO THIS FALL'S HIGH LEVEL GROUP MEETING. I WANT TO STRESS THAT IN MAKING THIS SUGGESTION WE ARE NOT DOWNPLAYING THE URGENCY OF THE MATTER OF EMERGENCY SHARING. WE ARE INSTEAD REFLECTING THE COMPLEXITY OF THE UNRESOLVED ISSUES THAT HAVE SURFACED IN OUR OWN SERIOUS AND CONTINUING STUDY OF THE PROBLEM. MANY OF OUR GOVERNMENTS HAVE BEEN CONDUCTING DETAILED STUDIES ON RESERVE LEVELS, BUFFER STOCKS, THE FINANCING AND MANAGEMENT OF STORAGE, THE IMPACT OF A CUTOFF IN OVERSEAS SHIPMENTS, AND THE LEGAL POLITICAL OBSTACLES TO SHARING AGREEMENTS AND RATIONING. TO MAKE IT POSSIBLE FOR THE WORKING GROUP WHICH WE ARE SUGGESTING TO GET DOWN TO CASES AND SHAPE UP REALISTIC ALTERNATIVES FOR THE OCTOBER MEETING OF THIS COMMITTEE, IT WILL BE NECESSARY THAT MEN FAMILIAR WITH THE WORK GOING ON IN NATIONAL GOVERNMENTS BE AVAILABLE FOR THIS OECD WORKING GROUP.

A SECOND AREA OF COOPERATION SHOULD DEAL WITH ISSUES RELATING TO THE GROWING FINANCIAL RESOURCES OF OIL- PRODUCING COUNTRIES. THIS GENERAL SUBJECT OF THE FINANCIAL IMPLICATIONS OF THE ENERGY PROBLEM IS ONE WHICH IS FREQUENTLY ATTENDED

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BY MORE RHETORIC THAN CLARITY OF THOUGHT. IT IS AN ISSUE WHICH REQUIRES MUCH MORE CAREFUL STUDY NOT ONLY IN THE APPROPRIATE BODIES OF THE OECD BUT IN THE PRIVATE FINANCIAL COMMUNITY AS WELL. AS SECRETARY SHULTZ SUGGESTED TO THE INTERNATIONAL MONETARY CONFERENCE OF THE AMERICAN BANKERS ASSOCIATION MEETING LAST WEEK, THE INTERNATIONAL BANKING COMMUNITY HAS AN UNPRECEDENTED OPPORTUNITY TO DEVELOP THE TECHNIQUES WHICH WILL FACILITATE THE INVESTMENTS OF OIL PRODUCING STATES SO AS TO TRANSFORM THEIR NATIONAL OIL ASSETS TO OTHER TYPES OF EARNING ASSETS. GOVERNMENTS AS WELL NEED TO UNDERSTAND BETTER THE FINANCIAL IMPLICATIONS OF THE ENERGY PROBLEM SO AS TO OFFER CONSTRUCTIVE RESPONSES.

THERE IS A NEED FOR BILATERAL DISCUSSIONS AND COOPERATION WITH THE OIL PRODUCING COUNTRIES IN THIS CONNECTION TO HELP THESE COUNTRIES WITH THEIR ECONOMIC DEVELOPMENT, INVESTMENTS, AND OTHER FINANCIAL AND NATIONAL SECURITY PROBLEMS AND NEEDS. ALL THESE QUESTIONS MUST BE ANSWERED IN WAYS THAT BRING ABOUT AND SUSTAIN THE WILLINGNESS OF THESE COUNTRIES TO PRODUCE THE OIL THE CONSUMERS OF THE WORLD WILL REQUIRE THROUGH THE NEXT TWO DECADES. THE IMPORTANT THING IS TO

ASSURE THE VERY LARGE PRODUCTION INCREASES CALLED FOR BY
OUR COLLECTIVE DEMAND CURVES.

THIS WILL NOT BE EASY TO ACHIEVE. THE COMPANIES THAT
COMPRIZE THE INTERNATIONAL OIL INDUSTRY ARE NO LONGER IN
POSITION TO PRODUCE AS THEY SEE THE DEMAND REQUIREMENTS OF
THEIR CUSTOMERS. THEY NOW MUST HAVE THE AGREEMENT OF THEIR NEW
PARTNERS IN MANAGEMENT -- THE PRODUCER GOVERNMENTS. ALREADY
SOME PRODUCING GOVERNMENTS HAVE SET A LIMIT ON PRODUCTION AND
OTHERS MAY BE FINDING MOUNTING FINANCIAL RESERVES LESS AND
LESS ATTRACTIVE IN ASSURING THEIR LONG TERM FUTURE.

WE MUST DESIGN MEASURES OF INTERNATIONAL CO- OPERATION TO
INCLUDE PRODUCING AS WELL AS CONSUMING NATIONS. CO- OPERATION
AMONG CONSUMING NATIONS CANNOT SEEM TO BE OR BECOME
CONFRONTATION WITH PRODUCER NATIONS. THE MORE INDUSTRIALIZED
NATIONS SHOULD BE READY TO ASSIST PRODUCING NATIONS IN
THEIR DESIRE TO MARRY THEIR VITAL OIL WITH THE EQUIALLY
VALUABLE TECHNOLOGY, ENGINEERING, MANAGEMENT AND MARKETS
OF OTHER COUNTRIES IN ORDER TO REAP LASTING BENEFITS FOR
THEIR PEOPLES DURING THIS ONE, BRIEF GENERATION WHEN THEY
ARE IN A HIGHLY FAVORED RESOURCE POSITION. WE KNOW THEIR
DESIRSES FOR THE LOCATION OF HIGH ENERGY USING EXPORT INDUSTRIES

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IN THEIR COUNTRIES. WE CAN ALL HELP HERE, NOT ONLY IN PROVIDING
THE PLANTS, BUT ALSO IN MARKETING THE PRODUCT OF THOSE PLANTS.
IT IS CRITICAL, HOWEVER, THAT IN OUR EFFORTS WE NOT LET
OUR REQUIREMENTS TO SELL PLANT, EQUIPMENT AND SERVICES CLOUD
THE JUDGMENTS AND ADVICE WE OFFER THESE DEVELOPING NATIONS.

ALL OF US SHOULD WANT THIS PROCESS TO DEVELOP INTO COOPERATIVE
ENDEAVORS THAT RESULT IN MUTUALLY BENEFICIAL MULTILATERAL
FLOWS OF OIL AND MONEY ADEQUATE TO MEET THE GREAT NEEDS THAT
WILL BE PART OF A PEACEFUL, PROSPEROUS, LESS WASTEFUL AND
MORE CONSERVING WORLD. THIS WILL ONLY BE POSSIBLE IF WE ALL
REFRAIN FROM CONVERTING THE SITUATION INTO A SCRAMBLE FOR
EXCLUSIVE SUPPLY AND/ OR INVESTMENT ARRANGEMENTS. BUT, AT THIS
MOMENT, WE CONSUMER GOVERNMENTS AND OUR PRODUCER COUNTERPARTS
ARE A LONG WAY FROM A SATISFACTORY POLICY RESPONSE TO THIS
QUESTION.

SOME HAVE SUGGESTED THAT THE ANSWER TO THE PROBLEM LIES IN
GREATER GOVERNMENT INTERVENTION IN NEGOTIATIONS WITH PRODUCING
COUNTRIES. WE HAVE SERIOUS DOUBTS ABOUT THE DESIRABILITY OF SUCH
AN APPROACH. WE SHOULD FIRST OF ALL RECOGNIZE THE REMARKABLE ROLE
PLAYED BY COMMERCIAL FIRMS AND ENTERPRISES OF ALL NATIONALITIES
IN FINDING, DEVELOPING, TRANSPORTING AND MARKETING PETROLEUM
AROUND THE WORLD. IT IS A MATTER OF GREAT REGRET THAT THE ROLE
OF PRIVATE INDUSTRY HAS BEEN STEADILY DIMINISHED, NOT ONLY IN
PRODUCING COUNTRIES BUT IN SOME CONSUMING COUNTRIES AS WELL.
THE CONSEQUENCE OF THIS TREND, PARTICULARLY IN CONSUMING
INDUSTRY, IS AN INEVITABLE LOSS OF EFFICIENCY AND AN INCREASE
IN COSTS TO CONSUMERS AS THE EXPERIENCE AND KNOW- HOW OF
PRIVATE COMPANIES IS LOST. EVEN WORSE, HOWEVER, IS THE
DETERIORATION OF THE INVESTMENT CLIMATE AT A TIME WHEN

MASSIVE INVESTMENT IS NEEDED TO MEET WORLD ENERGY NEEDS.

WE ARE UNDER NO ILLUSIONS ABOUT THE ABILITY OF CONSUMING COUNTRIES TO REVERSE THE TREND TOWARD GREATER GOVERNMENT PARTICIPATION IN OIL PRODUCING OPERATIONS. AT THE SAME TIME WE CAN AVOID POLICIES WHICH WOULD SERVE ONLY TO ACCELERATE THIS TREND. FOR EXAMPLE, WE BELIEVE THAT ASSUMPTION OF A NEGOTIATING ROLE BY GOVERNMENTS WOULD WEAKEN THE ROLE OF THE COMPANIES. BY DESTROYING THE VERY USEFUL BUFFER ROLE PLAYED BY THE COMPANIES, GOVERNMENTS WOULD ALSO INCREASE THE RISK OF GOVERNMENT- TO- GOVERNMENT CONFRONTATION WITH OIL PRODUCERS.

ANOTHER WAY OF ACCELERATING THE TREND TOWARD NATION-
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ALIZATION WOULD BE TO REGARD GOVERNMENTS WHICH EXPROPRIATE PROPERTY WITHOUT ADEQUATE COMPENSATION BY BUYING THEIR PRODUCTS FROM SUCH PROPERTIES. I WOULD HOPE THAT ALL OF THE GOVERNMENTS REPRESENTED HERE COULD AT A MINIMUM RESOLVE NOT TO BUY, AND TO DISCOURAGE THEIR NATIONALS FROM BUYING, SUCH CONTRABAND GOODS.

HAVING REJECTED GOVERNMENT INTERVENTION AS A USEFUL APPROACH, HOW THEN ARE WE TO DEAL WITH THE PROBLEM OF EXCESSIVE COMPETITION BIDDING UP PRICES. ONE ANSWER TO THE PROBLEM LIES IN OUR BETTER UNDERSTANDING OF THE NATURE OF THIS PROBLEM. COMPETITION PER SE IS NOT BAD AND WE DO NOT WISH TO PURSUE A POLICY OF ELIMINATING COMPETITION.

ON THE OTHER HAND, WE ALL NEED TO EXERCISE GREAT CARE TO AVOID MEASURES WHICH MERELY BID UP PRICES WITHOUT EXPANDING SUPPLY. OUR GOVERNMENT FOR EXAMPLE HAS REFRAINED FROM ENTERING INTO SPECIAL BILATERAL AGREEMENTS FOR SPECIAL SUPPLY OR MARKET ACCESS ARRANGEMENTS WITH OIL PRODUCING STATES. WE HAVE FELT THAT THIS WOULD STIMULATE OTHER NATIONS TO SEEK SIMILAR ARRANGEMENTS AND DESTABILIZE THE PAINFULLY CONSTRUCTED CONTRACTUAL AND BUSINESS STRUCTURES BETWEEN PRODUCER GOVERNMENTS, INTERNATIONAL OIL COMPANIES AND ALL THE ELEMENTS WHICH MAKE UP THE DISTRIBUTION CHANNELS THROUGH WHICH CRUDE OIL IS BROUGHT OUT OF THE GROUND TO BUNKERS AND GAS STATIONS. WE BELIEVE IT IS NOT IN THE INDIVIDUAL AND COLLECTIVE INTEREST OF OECD MEMBERS TO HAVE CONSUMING GOVERNMENTS SEEK SIMILAR BILATERAL OIL SUPPLY ARRANGEMENTS WITH OIL PRODUCER GOVERNMENTS. CONTINUANCE OF THIS POSTURE ON OUR PART WILL, OF COURSE, DEPEND ON THE ACTIONS OF OTHER CONSUMING GOVERNMENTS. WE BELIEVE, ALL OF US SHOULD CONSULT TOGETHER, BILATERALLY AND MULTILATERALLY, CONSUMING AND PRODUCING NATIONS, AS APPROPRIATE TO THE PARTICULAR PROBLEM, TO DEVELOP THE MOST SATISFACTORY WAY OF MEETING OUR LONG TERM NEEDS, TO STIMULATE AND SUPPORT THE MOST EFFECTIVE METHODS OF FINDING ADDITIONAL SUPPLIES AND TO DEVELOP THE MOST EFFECTIVE WAY OF USING THE WASTING RESOURCES OF THE OIL RICH COUNTRIES TO ASSURE THEIR LONG TERM PROSPERITY.

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A FINAL APPROACH TO THE PROBLEM OF INTERNATIONAL ENERGY COOPERATION MUST BE DIRECTED TOWARD THE LONGER TERM MEASURES TO INCREASE ENERGY SUPPLIES AND TO DIVERSIFY THEIR RESOURCES. AS I STATED AT THE MINISTERIAL MEETING, WE SEEK TO ENHANCE INTERNATIONAL COOPERATION IN RESEARCH AND DEVELOPMENT TO MAKE NEW AND ALTERNATIVE SOURCES OF ENERGY PRACTICAL AND ECONOMIC.

WE BELIEVE THAT INTERNATIONAL COOPERATION IN RESEARCH AND DEVELOPMENT PROJECTS CAN BEST BE HANDLED THROUGH SPECIFIC ARRANGEMENTS BETWEEN TWO OR MORE COUNTRIES WHICH ARE DIRECTLY SPONSORING SPECIFIC RESEARCH PROGRAMS AND HAVE SPECIFIC TECHNOLOGICAL ASSETS TO CONTRIBUTE TO THOSE PROGRAMS. THERE IS TODAY A REASONABLE AMOUNT OF INTERNATIONAL COOPERATION IN ENERGY TECHNOLOGIES ON WHICH WE CAN BUILD A MORE COMPREHENSIVE PROGRAM. FOR EXAMPLE, THE U. S. HAS HAD LONG- STANDING COOPERATIVE PROGRAMS WITH A NUMBER OF COUNTRIES IN THE NUCLEAR REACTOR FIELD. WE HAVE BI- LATERAL RESEARCH PROJECTS WITH OTHER COUNTRIES IN COAL TECHNOLOGY, IN GEOTHERMAL ENERGY, IN MAGNETOHYDRODYNAMICS, THERMAL AND HYDRO POWER STATIONS, POWER TRANSMISSION TECHNOLOGY, AND SOLAR AND GEOTHERMAL ENERGY.

OUR COMMON TASK NOW IS TO ENLARGE AND EXPAND THE SCOPE AND SCALE OF THIS INTERNATIONAL RESEARCH COOPERATION.

THE U. S. FEELS THAT INTERNATIONAL COOPERATION IN THE DEVELOPMENT OF NEW ENERGY TECHNOLOGIES HOLDS GREAT PROMISE. THERE IS SIGNIFICANT COMPETENCE IN MANY OF THE RELEVANT TECHNOLOGIES IN A GOOD MANY COUNTRIES.

WE SHOULD PAY PARTICULAR ATTENTION TO INTERNATIONAL CONFIDENTIAL

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COOPERATION AT AN INDUSTRIAL LEVEL. EXPERIENCE HAS SHOWN THAT AS TECHNOLOGIES APPROACH A COMMERCIAL STATE, COOPERATION AT A GOVERNMENT- TO- GOVERNMENT LEVEL BECOMES MORE DIFFICULT. COOPERATION AT THE INDUSTRIAL LEVEL IS, THEREFORE, ESPECIALLY PERTINENT TO THOSE TECHNOLOGIES THAT MIGHT PROVIDE NEARER- TERM

SOLUTIONS TO THE ENERGY QUESTION. WE WILL WISH, AS I BELIEVE OTHER COUNTRIES WILL, TO TAKE MUTUAL ADVANTAGE OF EXISTING EXPERTISE TO MOVE TOWARD A RAPID SOLUTION OF OUR COMMON ENERGY PROBLEMS.

THESE CO- OPERATIVE EFFORTS, IN OUR VIEW, WILL FOR THE MOST PART BE DEVELOPED AD HOC DEPENDING ON THE PRIORITIES, THE TECHNOLOGIES, THE BUDGETS, THE SCIENTIFIC ASSESSMENTS AND THE OBJECTIVES OF THE PARTICULAR PARTIES - WHETHER GOVERNMENTS, SCIENTIFIC INSTITUTIONS OR BUSINESS CORPORATIONS. THE OECD COULD CONTRIBUTE SIGNIFICANTLY TO STIMULATING AND GUIDING THIS PROCESS. IT MAY BE, FOR EXAMPLE, THAT THE OECD CAN PLAY A VALUABLE ROLE IN DEVELOPING AN INVENTORY OF EACH COUNTRY'S ENERGY RESEARCH PROJECTS AND IN SERVING AS A CLEARINGHOUSE FOR INFORMATION REGARDING THE ACTIVITIES OF MEMBER COUNTRIES IN THE QUEST FOR NEW ENERGY SOURCES.

BEYOND NEW SOURCES OF ENERGY, IT SEEMS TO US THAT PRODUCER AS WELL AS CONSUMER NATIONS HAVE A CLEAR AND VITAL STAKE IN COOPERATING TO FIND ADDITIONAL SOURCES OF HYDROCARBONS, BRING THEM TO MARKET IN A PRUDENT AND ORDERLY MANNER, MINIMIZE WASTE IN THEIR USE, AND BRING ON SUPPLEMENTARY SOURCES OF ENERGY AT A RATE AND IN A WAY WHICH WILL MAINTAIN THE PROSPERITY OF THE OIL RICH NATIONS AS THEIR WASTING HYDROCARBON ASSETS DIMINISH. THIS IS THE COURSE ON WHICH WE SHOULD SET OUR SIGHTS OVER THE REMAINDER OF THIS CENTURY.

WE BELIEVE THAT THE LONG TERM INTERESTS OF BOTH CONSUMER AND PRODUCER NATIONS WILL BE SERVED BEST BY AN OPEN SYSTEM IN WHICH ALL THOSE CAPABLE OF FINDING, DEVELOPING AND MARKETING OIL RESOURCES CAN HAVE AN OPPORTUNITY TO DO SO RATHER THAN BY A CLOSED SYSTEM IN WHICH A CONSUMER GOVERNMENT SEEKS TO GAIN EXCLUSIVE ACCESS TO THE OIL RESOURCES OF A PRODUCER NATION.

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